

**25—4.2 (175) Definitions.** As used in this chapter, unless the context otherwise requires:

*“Agricultural improvements”* means any improvements, buildings, structures, or fixtures suitable for use in farming which are located on agricultural land. Agricultural improvements are defined in Iowa Code chapter 175 to include a single-family dwelling located on agricultural land, which is or will be occupied by the borrower, and structures attached to or incidental to the use of the dwelling.

*“Agricultural land”* means land suitable for use in farming and which is or will be operated as a farm.

*“Agricultural property”* means agricultural land, agricultural improvements, or depreciable agricultural property.

*“Application”* means a completed instrument on a form approved by the authority. Each application must include the following: borrower’s name, address, financial data, description of anticipated use of loan proceeds, amount of loan, down payment amount (if any), statement of borrower’s net worth determined in accordance with authority rules, a summary of proposed loan terms, and certifications of the borrower.

*“Authority”* means the agricultural development authority established in Iowa Code section 175.3.

*“Corporation”* or *“domestic corporation”* means a corporation for profit, which is incorporated under Iowa Code chapter 490 and not a foreign corporation. To comply under this program, such corporation shall have no more than two corporate shareholders. Shareholder means the person in whose name the shares are registered in the records of the corporation.

*“Depreciable agricultural property”* means personal property suitable for use in farming for which an income tax deduction for depreciation is allowable in computing federal income tax under the Internal Revenue Code of 1986.

*“Farm”* means a farming enterprise which is recognized in the community as a farm rather than a rural residence.

*“Farming”* means the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, the production of milk, the production of fruit or other horticultural crops, grazing, the production of livestock, aquaculture, hydroponics, the production of forest products, or other activities designated by the authority’s rules.

*“Lender”* means any regulated bank, trust company, bank holding company, mortgage company, national banking association, savings and loan association, life insurance company, state or federal governmental agency or instrumentality, or other financial institution or entity authorized to make mortgage loans or secured loans in this state.

*“Limited liability company”* means a limited liability company as defined in Iowa Code section 490A.102.

*“Low-income farmer”* means a farmer who cannot obtain financing to purchase agricultural property without the assistance of a loan participation with the Iowa agricultural development authority.

*“Net worth”* means total assets minus total liabilities as determined in accordance with generally accepted accounting principles with appropriate exceptions and exemptions reasonably related to an

equitable determination of the net worth of the individual, partnership, limited liability company or corporation. Assets shall be valued at fair market value.

*“Participated loan”* means the aggregate amount of a loan that is participated in total by the lender and the Iowa agricultural development authority.

*“Participation”* means the “last-in/last-out” loan participation requested by the lender from the Iowa agricultural development authority.

*“Partnership”* means a partnership formed by two or more persons under the laws of the state of Iowa.

*“Projected gross income”* is the total of all nonfarm income plus gross farm revenues which include revenue from cash sales, inventory and receivable charges; crops, livestock products, government program payments, and other farm income received by the borrower during the next calendar year.

*“Term debt coverage ratio”* is the total of net farm income from operations plus total nonfarm income plus depreciation/amortization expense plus interest on term debt plus interest on capital leases minus total income tax expense minus withdrawals for family living multiplied by 100 and divided by the sum of annual scheduled principal and interest payments on term debt and the annual scheduled principal and interest payments on capital leases. The ratio provides a measure of the ability of the borrower to cover all term debt and capital lease payments. The greater the ratio over 100 percent, the greater the margin to cover the payments.

*“Total assets”* shall include but not be limited to the following: cash; crops or feed on hand; livestock held for sale; breeding stock; marketable bonds and securities; securities (not readily marketable); accounts receivable; notes receivable; cash invested in growing crops; net cash value of life insurance; machinery, equipment, cars and trucks; farm and other real estate including life estates and personal residence; value of beneficial interest in a trust; government payments or grants; any other assets.

Total assets shall not include items used for personal, family or household purposes by the applicant; but in no event shall any property be excluded, to the extent a deduction for depreciation is allowable for federal income tax purposes. All assets shall be valued at fair market value by the participating lender. The value shall be what a willing buyer would pay a willing seller in the locality. A deduction of 10 percent may be made from fair market value of farm and other real estate.

*“Total liabilities”* shall include but not be limited to the following: accounts payable; notes or other indebtedness owed to any source; taxes; rent; amount owed on real estate contract or real estate mortgages; judgments; accrued interest payable; any other liabilities. Liabilities shall be determined on the basis of generally accepted accounting principles.